



Audit Report



OIG-07-025

Agreed-Upon Procedures for the Department of the Treasury's
Fiscal Year 2006 Intragovernmental Activity and Balances

January 16, 2007

Office of
Inspector General

Department of the Treasury

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Transmittal Memorandum

**Independent Accountants' Report on Applying Agreed-Upon
Procedures for Intragovernmental Activity and Balances**



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

January 16, 2007

**MEMORANDUM FOR RICHARD HOLCOMB, ACTING CHIEF FINANCIAL OFFICER
DEPARTMENT OF THE TREASURY**

**FAYE McCREARY, DIRECTOR
FINANCIAL REPORTS DIVISION
FINANCIAL MANAGEMENT SERVICE**

**LYNDA DOWNING, ASSISTANT DIRECTOR
FINANCIAL MANAGEMENT AND ASSURANCE
GOVERNMENT ACCOUNTABILITY OFFICE**

FROM:

Joel A. Grover 
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT:

Agreed-Upon Procedures for the Department of the
Treasury's Fiscal Year 2006 Intragovernmental Activity and
Balances

I am pleased to transmit the attached report on agreed-upon procedures for the Department of the Treasury's (Department) fiscal year (FY) 2006 intragovernmental activity and balances. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed the agreed-upon procedures for the Department's FY 2006 intragovernmental activity and balances. The contract required that the agreed-upon procedures be performed in accordance with generally accepted government auditing standards. KPMG LLP issued the attached Independent Accountants' Report on Applying Agreed-Upon Procedures for Intragovernmental Activity and Balances.

In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an agreed-upon procedures engagement performed in accordance with generally accepted government auditing standards, was not intended to enable us to report, and we do not report, findings based on agreed-upon procedures performed on the Department's intragovernmental activity and balances. KPMG LLP is responsible for the attached report dated January 11, 2007 and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

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Should you have any questions, please contact me at (202) 927-5400, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

**Independent Accountants' Report on Applying Agreed-Upon
Procedures for Intragovernmental Activity and Balances**



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report on Applying Agreed-Upon Procedures for Intragovernmental Activity and Balances

Inspector General
U.S. Department of the Treasury:

We have performed the procedures enumerated in Exhibit I (attached), which were based on the procedures stated in the U.S. Department of the Treasury's (Department) *Treasury Financial Manual*, Volume 1, Part 2, Chapter 4700, Section 4705.80 *IG Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances*, solely to assist the Department's Office of Inspector General (OIG) and the U.S. Government Accountability Office (GAO) in evaluating the Department's assertion that it properly reported intragovernmental activity and balances in the Department's consolidated financial statements as of and for the year ended September 30, 2006, and in its *2006 Financial Report of the United States Government Closing Package (Closing Package)*. The Department's management is responsible for the proper accounting, presentation and reporting of its intragovernmental activity and balances, consolidated financial statements, and *Closing Package*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Treasury Financial Management Service (FMS), GAO, and the Office of Management and Budget (OMB). Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit I either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our associated findings are presented in Exhibit I.

We were not engaged to, and did not, conduct an examination of the information presented herein, the objective of which would be the expression of an opinion on such information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department, the Department's OIG, FMS, GAO, and OMB, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 11, 2007

U.S. DEPARTMENT OF THE TREASURY

Agreed-Upon Procedures for Intragovernmental Activity and Balances

Procedures and Findings

Procedure 1

Obtain the Department's policies and procedures that describe the Department's activities to record, process, summarize, reconcile, and report intragovernmental activity/balances by trading partner. Determine if the items identified in the CFO-provided reconciliation schedule were recorded at year end in accordance with the Department's policies and procedures.

Finding 1

We obtained the Department's policies and procedures titled "Departmental Guidelines for Reconciling and Reporting Intra-Departmental Transactions," dated June 14, 2006, that include procedures for the Department's activities to record, process, summarize, reconcile, and report intragovernmental activity/balances by trading partner.

We obtained the CFO-provided reconciliation schedule titled "Material Differences for Fiscal Year End 2006 Greater than \$250M" dated December 19, 2006 (reconciliation schedule), that included the Department's explanations (See Attachment A). We agreed each of the Department's balances reported in column four of the reconciliation schedule titled "Reporting Agency" to the respective consolidated intragovernmental balances recorded in the Department's general ledger at September 30, 2006, and noted one exception as described below.

A component of the Department (Internal Revenue Service) did not record intragovernmental transactions at year end in accordance with the Department's policies and procedures. The IRS incorrectly recorded \$565,000,000 of interest owed to the Social Security Administration as "Public" instead of "intragovernmental."

No additional procedures were performed with respect to management's explanations as to the reasons for the differences.

Procedure 2

- a. In the event of nonreporting by trading partners, report those differences and indicate that the difference is due to nonreporting by the trading partner. Cooperation between IG offices of the trading partners is encouraged.
- b. Compare items related to the balances identified by FMS in Step 1 of the CFO procedures recorded after year end to supporting documentation to determine if they were recorded in the proper year.

U.S. DEPARTMENT OF THE TREASURY

Agreed-Upon Procedures for Intragovernmental Activity and Balances

Finding 2

- a. *Based on the trading partner reported amount in the fourth column of the reconciliation schedule and the Department’s explanations, we identified one difference due to nonreporting by a trading partner of the Department as follows:*

Table 1 – Nonreporting Trading Partner Differences

Transaction Description	Reporting Agency	Trading Partner (1)	Difference	Explanation
Investment Interest Expense/Revenue	\$791,000,000	\$0	\$791,000,000	(2)

- (1) *Trading Partner is the Department of Veterans Affairs.*
 (2) *Trading Partner did not report a balance.*

- b. *Step 1 of the CFO procedures described in the Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Section 4705.75d, Section III, New CFO Requirements for IG AUPs, states “Receive from FMS an e-mail that identifies certain material differences by reciprocal category and trading partner from agencies’ offsetting GFRS Module GF004 input.”*

We requested items (adjustments) made by the Department after year end related to the Department’s intragovernmental balances identified by FMS in Step 1 of the CFO procedures. The Department confirmed that no adjustments were recorded by the Department after year end to the Department’s intragovernmental balances reported to FMS.

Procedure 3

Identify and include copies of audit findings related to the transactions identified in Procedures 1 and 2, that were reported during the audit of the Department’s fiscal year 2006 consolidated financial statements, such as reasons for disclaimer and/or qualification, material weaknesses, reportable conditions, noncompliance with laws and regulations and items cited in the management letter. Also identify and report auditor-proposed intragovernmental adjustments that were waived by the Department relating to these transactions.

Finding 3

We identified no internal control findings during our audit of the Department’s fiscal year 2006 consolidated financial statements related to the transactions identified in Procedures 1 and 2 for inclusion in our report on internal control over financial reporting.

We identified a finding during our audit of the Department’s fiscal year 2006 consolidated financial statements related to the transactions identified in Procedures 1 and 2, that will be reported as a comment in the Department’s fiscal year 2006 management letter.

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Agreed-Upon Procedures for Intragovernmental Activity and Balances

We identified two auditor-proposed intragovernmental account adjustments related to these transactions during our audit of the Department's fiscal year 2006 consolidated financial statements that were waived by the Department. These adjustments are presented in Attachment B to this report.

Material Differences for Fiscal Year End 2006 Greater than \$250M*												
		Agency Code/Name: Dept. of Treasury										
		Agency Contact/Ph/Email: Joe McAndrew/(202)622-0622										
TP	RC	^a P_or_S	Rptg_Agy	Trdg_Partner	Material_Diff	Treasury Ref Mat Diffs Comparison- Next Tab						
12	02	S	709,000,000	427,000,000	282,000,000	(1)	Timing / Accounting Methodology difference FFB and Agriculture					
12	05	S	5,247,000,000	4,484,000,000	763,000,000	(2)	Treasury is continuing to work with Ag regarding this difference. See e-mails Interior cites SFFAS No. 27. E-Mail to Dave Horn 12-11-06. He refers to par. 38. He stated that the DOI f/s auditors asked that DOI to adjust their balances. A portion of the DOI balances are attributable to Coast Guard and the Army Corps of Engineers. JMc informed BPD, DHS and USACE by e-mail 12-11-06					
14	01	S	8,670,000,000	8,069,224,000	600,776,000	(3)						
19	18	S	0	(905,762,000)	905,762,000	(4)	Partner Error					
27	01	S	4,418,000,000	4,708,476,000	290,476,000	(5)	See Additional Info from FCC TP 27. e-mail 12-12-06 from Jacquie Harvey					
28	05	S	0	565,000,000	565,000,000	(6)	IRS Error 11-21-06 e-mail from IRS - Mark Brey					
28	24	S	98,000,000	737,000,000	639,000,000	(7)	CP RC Logic - No real difference. acknowledged by FMS 11-21-06 e-mail from Ben Sussman.					
36	01	S	12,683,000,000	13,666,000,000	983,000,000	(8)	Partner Error					
36	03	S	791,000,000	0	791,000,000	(9)	Partner Error					
36	17	S	982,000,000	0	982,000,000	(10)	Partner Error					
51	01	S	51,640,000,000	51,894,899,151	254,899,151	(11)	BPD does not recognize market affects on GAS Securities					
51	03	S	2,588,000,000	2,968,622,387	380,622,387	(12)	BPD does not recognize market affects on GAS Securities					
70	05	S	539,000,000	0	539,000,000	(13)	Partner Error					
		^a P=Primary, S=Secondary										
* This list represents the fiscal year 2006 material differences with your trading partner greater than \$250M. Should you choose to perform the IG Agreed-upon Procedures per I TFM 2-4705.75d please follow the instructions in the cover e-mail.												

Intragovernmental Reporting & Analysis System
 Intragovernmental Comparative Closing Package Explanation of Differences Report
 Year End 2006

Reporting Agency 20-Department of the Treasury

Trading Partner/ Reciprocal Category	Reported Amount	Material Difference	Adjustments*	Adjusted Reporting	Unknown/ Unreconciled	Explanation(s)
Partner 12-Department of Agriculture						
RC 02-Interest Receivable/Payable	Reporting Agency	\$709,000,000		\$0	\$709,000,000	Accounting Methodology Difference
	Trading Partner	\$427,000,000		\$0	\$427,000,000	\$282,000,000 Accounting Methodology Difference
	Reporting Agency Basis of Accounting: Accrual vs. Cash					
	Trading Partner Basis of Accounting: Not Stated					
	Reporting Agency Remarks: FFB v. Department of Agriculture -- Difference of \$281,297,401 is due to timing. Difference of \$702,599 is attributed to Accounting Methodology. FFB uses the accrual basis whereas Agriculture uses cash basis.					
(1)	Trading Partner Remarks: End of acctg period falls on weekend and payment to FFB not due until first business day of next acctg period.					
Partner 12-Department of Agriculture						
RC 05-Borrowings Interest	Reporting Agency	\$5,247,000,000		\$0	\$5,247,000,000	Accounting Methodology Difference
Revenue/Expense	Trading Partner	\$4,484,000,000		\$0	\$4,484,000,000	\$763,000,000 Accounting Methodology Difference
	Reporting Agency Basis of Accounting: Accrual vs. Cash					
	Trading Partner Basis of Accounting: Not Stated					
	Reporting Agency Remarks: SGL 6330 is a legislative mandated expense. It was incorrectly added to SGL 5312. The correct posting is a deduction to SGL 5312. This difference was also due to timing.					
(2)	Trading Partner Remarks: Difference in methodologies for recording interest credit on FFB CBO's.					
Partner 14-Department of Interior						
RC 01-Investments/Debt	Reporting Agency	\$8,670,000,000		\$0	\$8,670,000,000	Confirmed Reporting
	Trading Partner	\$8,069,224,000		\$0	\$8,069,224,000	\$600,776,000 Accounting Methodology Difference
	Trading Partner Basis of Accounting: SFFAS 27					
	Reporting Agency Remarks: BPD v. Department of Interior -- BPD confirmed with IFCS. The difference with AFS 20X8147, is being researched. For AFS 14X5198, (\$22,955.23), the difference is due to amortization calculation for effective interest methods used by BPD vs. DOI.					
(3)	Trading Partner Remarks: During 4th Quarter, Interior implemented SFFAS 27, which requires removal of component entity amounts from the trial balance					
Partner 15-Department of Justice						
RC 01-Investments/Debt	Reporting Agency	\$1,246,000,000		\$0	\$1,246,000,000	Confirmed Reporting
	Trading Partner	\$2,082,266,000		\$0	\$2,082,266,000	\$836,266,000 Accounting Methodology Difference
	Trading Partner Basis of Accounting: Not Stated					
	Reporting Agency Remarks: BPD confirms with agency in IFCS. Agency figure in IFCS did not match what was reported in IRAS. However, the difference is due to Deposit Funds being included in IRAS for 15X6874 and 15X6118 but not in IFCS. The BPD does not report Deposit Funds in IFCS					
	Trading Partner Remarks: The DOJ records investments for Seized Assets Deposit Fund (15x6874) and the U.S. Attorney's Office (15x6118) as intragovernmental activity. However, these are excluded from intragovernmental reporting by Treasury.					
Partner 15-Department of Justice						
RC 26-Benefit Contributions	Reporting Agency	\$0		\$0	\$0	Confirmed Reporting
Revenue/Expense	Trading Partner	\$155,092,000		(\$155,092,000)	\$0	\$0 Accounting Error
	Reporting Agency Remarks: Treasury does not receive benefit payments from other Federal Agencies. It would appear that DOJ is coding Treasury (20) for FICA payments that should be coded as General Fund of the Treasury (99).					
	Trading Partner Remarks: The DOJ correctly reported this amount with Trading Partner (TP) 99 in the initial IRAS submission, however the TP was incorrectly reported with TP 20 in					
Partner 16R-Pension Benefit Guaranty Corporation						
RC 03-Investment Interest	Reporting Agency	(\$348,000,000)		\$0	(\$348,000,000)	Confirmed Reporting
Expense/Revenue -Exchange	Trading Partner	\$2,392,000,000		\$0	\$2,392,000,000	\$2,740,000,000 Accounting Methodology Difference
	Trading Partner Basis of Accounting: GAAP-FAS35					
	Reporting Agency Remarks: BPD confirms with IFCS. Difference equals amount reported to IRAS by agency in SGL 7180 (Unrealized Gains).					
	Trading Partner Remarks: PBGC marks it's securities to market in accordance with GAAP and Treasury uses absolute value reporting methodology.					
Partner 19-Department of State						
RC 18-Transfers in/Out without	Reporting Agency	\$0		\$0	\$0	Confirmed Reporting
Reimbursement	Trading Partner	(\$905,762,000)		\$905,762,000	\$0	\$0 Accounting Error
	Reporting Agency Remarks: Treasury does not recognize a transfer involving the State Department. It would appear that State transferred funds to the General Fund of the Treasury (99) and incorrectly identified Treasury (20) as the partner.					
(4)	Trading Partner Remarks: Input error coded to Partner 20 - should've been coded to F.99					
Partner 27-Federal Communications Commission						
RC 01-Investments/Debt	Reporting Agency	\$4,418,000,000		\$0	\$4,418,000,000	Accounting Methodology Difference
	Trading Partner	\$4,708,476,000		\$0	\$4,708,476,000	\$290,476,000 Accounting Methodology Difference
	Reporting Agency Basis of Accounting: Not stated					
(5)	Reporting Agency Remarks: As of 9/30/06, BPD's calculation is not based on actual purchase price/discount and holding period.					
Partner 27-Federal Communications Commission						
RC 03-Investment Interest	Reporting Agency	\$235,000,000		\$0	\$235,000,000	Accounting Methodology Difference
Expense/Revenue -Exchange	Trading Partner	\$183,697,000		\$0	\$183,697,000	\$51,303,000 Accounting Methodology Difference
	Reporting Agency Basis of Accounting: Not Stated					
	Reporting Agency Remarks: As of 9/30/06, BPD's calculation is not based on actual purchase price/discount and holding period. Estimate is overstated					
Partner 27-Federal Communications Commission						
RC 22-Buy-Sell Related	Reporting Agency	\$0		\$225,000,000	\$225,000,000	Accounting Error
Receivable/Payable	Trading Partner	\$225,000,000		\$0	\$225,000,000	\$0 Confirmed Reporting
	Reporting Agency Remarks: (T-Bill Cusip # 912828CW8 matured on 9/30/06. Funds were not received as of 9/30/06. Face amount totals \$225,000,000 was reclassified to Accounts Receivable.					
Partner 28-Social Security Administration						
RC 05-Borrowings Interest	Reporting Agency	\$0		\$565,000,000	\$565,000,000	Accounting Error
Revenue/Expense	Trading Partner	\$565,000,000		\$0	\$565,000,000	\$0 Confirmed Reporting
(6)	Reporting Agency Remarks: The Internal Revenue Service should have coded an "F" expense with SSA. Instead they coded an "N" refund with the public					
Partner 28-Social Security Administration						
RC 24-Buy-Sell Revenue/Expense	Reporting Agency	\$98,000,000		\$0	\$98,000,000	Confirmed Reporting
	Trading Partner	\$737,000,000		\$0	\$737,000,000	\$639,000,000 Confirmed Reporting
(7)	Reporting Agency Remarks: Difference due to Recip. Category classification structure as reflected in IRAS (exchange/nonexchange). No real recip. Difference					

Partner 36-Department of Veterans Affairs							
(8)	RC 01-Investments/Debt	Reporting Agency	\$12,683,000,000		\$0	\$12,683,000,000	Confirmed Reporting
		Trading Partner	\$13,666,000,000	\$983,000,000	(\$983,000,000)	\$12,683,000,000	\$0 Accounting Error
		Reporting Agency Remarks: BPD confirms with IFCS. Agency confirmed with BPD in IFCS but did not report the same balance in the Closing Package					
		Trading Partner Remarks: VA should have reported \$12,683 million on the GFRS, the amount VA reported on the 4th quarter IRAS. VA's loans payable were erroneously added to VA's Treasury securities					
Partner 36-Department of Veterans Affairs							
(9)	RC 03-Investment Interest Expense/Revenue -Exchange	Reporting Agency	\$791,000,000		\$0	\$791,000,000	Confirmed Reporting
		Trading Partner	\$0	\$791,000,000	\$790,736,615	\$790,736,615	\$263,385 Accounting Error
		Reporting Agency Remarks: BPD confirms with IFCS. Agency confirmed with BPD in IFCS but did not report a balance in the Closing Package.					
		Trading Partner Remarks: VA should have reported \$790.7 million on the GFRS, the amount VA reported on the 4th quarter IRAS. The interest revenue was excluded in error.					
Partner 36-Department of Veterans Affairs							
(10)	RC 17-Loans Receivable/Payable	Reporting Agency	\$982,000,000		\$0	\$982,000,000	Confirmed Reporting
		Trading Partner	\$0	\$982,000,000	\$982,000,000	\$982,000,000	\$0 Accounting Error
		Reporting Agency Remarks: BPD & FFB confirmed with IFCS. Veterans has a \$980 million dollar loan with BPD and a \$2 million dollar loan with FFB. However they did not report balance in the Closing Package.					
		Trading Partner Remarks: VA should have reported \$982 million on the GFRS, the amount VA reported on the 4th quarter IRAS.					
Partner 47-General Services Administration							
	RC 22-Buy-Sell Related Receivable/Payable	Reporting Agency	\$119,000,000		\$0	\$119,000,000	Accounting Methodology Difference
		Trading Partner	\$281,000,000	\$162,000,000	\$0	\$281,000,000	\$162,000,000 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Allowance (1319)					
		Trading Partner Basis of Accounting: Not Stated					
		Reporting Agency Remarks: Treasury reports SGL 1319 against a liability that GSA has for Judgment Fund disbursements. GSA reports the full balance of this liability on their books.					
		Trading Partner Remarks: Treasury reduces their A/R balance by an Allowance for Loss on A/R. GSA records amount of full liability on their books.					
Partner 50-Securities and Exchange Commission							
	RC 01-Investments/Debt	Reporting Agency	\$0		\$0	\$0	Accounting Methodology Difference
		Trading Partner	\$3,674,528,000	\$3,674,528,000	\$0	\$3,674,528,000	\$3,674,528,000 Confirmed Reporting
		Reporting Agency Basis of Accounting: Non-federal deposit fund					
		Reporting Agency Remarks: Difference is due to SEC reporting Deposit Fund balances whereas BPD does not.					
Partner 51-Federal Deposit Insurance Corporation							
(11)	RC 01-Investments/Debt	Reporting Agency	\$51,640,000,000		\$0	\$51,640,000,000	Confirmed Reporting
		Trading Partner	\$51,894,899,151	\$254,899,151	\$0	\$51,894,899,151	\$254,899,151 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Not Stated					
		Reporting Agency Remarks: BPD confirms with IFCS. Agency confirmed with BPD in IFCS but reported a different balance in the Closing Package.					
		Trading Partner Remarks: FDIC confirms reporting; however, difference is due to accounting methodology for treatment of market adjustment on AFS securities (SGL 1618) recognized by FDIC but not by UST.					
Partner 51-Federal Deposit Insurance Corporation							
(12)	RC 03-Investment Interest Expense/Revenue -Exchange	Reporting Agency	\$2,588,000,000		\$0	\$2,588,000,000	Confirmed Reporting
		Trading Partner	\$2,968,622,387	\$380,622,387	\$0	\$2,968,622,387	\$380,622,387 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Not Stated					
		Reporting Agency Remarks: BPD confirms with IFCS. Agency confirmed with BPD in IFCS but did not report a figure in the Closing Package.					
		Trading Partner Remarks: FDIC confirms reporting; however, difference is due to accounting methodology for treatment of unrealized loss on AFS securities (SGL 7280) recognized by FDIC but not by UST and different methods for accruing interest earned on securities (SGL 1340).					
Partner 60-Railroad Retirement Board							
	RC 01-Investments/Debt	Reporting Agency	\$1,893,000,000		\$0	\$1,893,000,000	Confirmed Reporting
		Trading Partner	\$1,200,466,000	\$692,534,000	\$0	\$1,200,466,000	\$692,534,000 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Not stated					
		Reporting Agency Remarks: BPD confirms with IFCS. The agency did not report the same balance for 60X8118 in IRAS.					
		Trading Partner Remarks: Difference due to NRRIT securities not reflected in IRAS					
Partner 69-Department of Transportation							
	RC 01-Investments/Debt	Reporting Agency	\$19,625,000,000		\$0	\$19,625,000,000	Accounting Methodology Difference
		Trading Partner	\$19,739,054,000	\$114,054,000	\$0	\$19,739,054,000	\$114,054,000 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Deposit fund treated as non-federal					
		Trading Partner Basis of Accounting: Not Stated					
		Reporting Agency Remarks: difference is due to DOT reporting Deposit Fund balances whereas BPD does not.					
		Trading Partner Remarks: Deposit fund activity.					
Partner 70-Department of Homeland Security							
(13)	RC 05-Borrowings Interest Revenue/Expense	Reporting Agency	\$539,000,000		\$0	\$539,000,000	Confirmed Reporting
		Trading Partner	\$0	\$539,000,000	\$539,000,000	\$539,000,000	\$0 Accounting Error
		Reporting Agency Remarks: FEMA incorrectly reported \$507 million against TP 99 -- it should have been TP 20. DHS will report an error in their FY 2006 4th quarter Material Difference Report. FEMA will make a correction reflected in their first quarter FY 2007 IRAS.					
		Trading Partner Remarks: DHS/FEMA recorded the transactions to TP99 instead of TP20.					
Partner 78R-Farm Credit System Insurance Corp							
	RC 01-Investments/Debt	Reporting Agency	\$2,107,000,000		\$0	\$2,107,000,000	Confirmed Reporting
		Trading Partner	\$2,107,433,000	\$433,000	\$0	\$2,107,433,000	\$433,000 Confirmed Reporting
		Reporting Agency Remarks: Rounding in GFRS					
Partner 78R-Farm Credit System Insurance Corp							
	RC 02-Interest Receivable/Payable	Reporting Agency	\$17,000,000		\$0	\$17,000,000	Confirmed Reporting
		Trading Partner	\$17,469,000	\$469,000	\$0	\$17,469,000	\$469,000 Confirmed Reporting
		Reporting Agency Remarks: difference is attributed to rounding. Treasury rounded to millions, the partners rounded to thousands.					
Partner 78R-Farm Credit System Insurance Corp							
	RC 03-Investment Interest Expense/Revenue -Exchange	Reporting Agency	\$85,000,000		\$0	\$85,000,000	Confirmed Reporting
		Trading Partner	\$84,705,000	\$295,000	\$0	\$84,705,000	\$295,000 Confirmed Reporting
		Reporting Agency Remarks: difference is attributed to rounding. Treasury rounded to millions, the partners rounded to thousands.					
Partner 78R-Farm Credit System Insurance Corp							
	RC 24-Buy-Sell Revenue/Expense	Reporting Agency	\$0		\$0	\$0	Confirmed Reporting
		Trading Partner	\$251,000	\$251,000	\$0	\$251,000	\$251,000 Confirmed Reporting
		Reporting Agency Remarks: The difference is attributed to rounding. Treasury rounded to millions, the partners rounded to thousands.					
Partner 83-Export-Import Bank of the United States							
	RC 17-Loans Receivable/Payable	Reporting Agency	\$4,911,000,000		\$0	\$4,911,000,000	Confirmed Reporting
		Trading Partner	\$4,910,700,000	\$300,000	\$0	\$4,910,700,000	\$300,000 Accounting Methodology Difference
		Reporting Agency Basis of Accounting: Difference in methodology for reporting rounded am					
		Reporting Agency Remarks: The difference is attributed to rounding. Treasury rounded to millions, the partners rounded to thousands.					

<i>Partner 86-Department of Housing and Urban Development</i>							
RC 03-Investment Interest	Reporting Agency	\$1,527,000,000		\$0	\$1,527,000,000		Confirmed Reporting
Expense/Revenue -Exchange	Trading Partner	\$1,531,000,000	\$4,000,000	\$0	\$1,531,000,000	\$4,000,000	Confirmed Reporting
Reporting Agency Remarks: BPD's IFCS figure is greater than IRAS by \$171,182. This is due to Inflation Compensation for 9/30/06 which was reported in IFCS but not in IRAS. The weekend inflation issue is being worked on by BPD. Agency reporting in IFCS and IRAS match.							
<i>Partner 89-Department of Energy</i>							
RC 01-Investments/Debt	Reporting Agency	\$25,050,000,000		\$0	\$25,050,000,000		Accounting Methodology Difference
	Trading Partner	\$23,767,000,000	\$1,283,000,000	\$0	\$23,767,000,000	\$1,283,000,000	Accounting Methodology Difference
Reporting Agency Basis of Accounting: Level Yield amortization							
Trading Partner Basis of Accounting: DOE uses the eff yield method of amortizing zero c							
Reporting Agency Remarks: The Market Value Adjustment of \$1,361,550,328 is part of the difference because the BPD does not have an SGL to classify the MV adjustment. It is put in SGL 2533, but DOE uses SGL 1638 and SGL 1639 which zero each other out.							
<i>Partner 89-Department of Energy</i>							
RC 03-Investment Interest	Reporting Agency	\$693,000,000		\$0	\$693,000,000		Accounting Methodology Difference
Expense/Revenue -Exchange	Trading Partner	\$1,166,000,000	\$473,000,000	\$0	\$1,166,000,000	\$473,000,000	Accounting Methodology Difference
Reporting Agency Basis of Accounting: Gain/loss recognition							
Trading Partner Basis of Accounting: DOE uses the eff yield meth of amortizing zero cou							
Reporting Agency Remarks: Difference of 463,483,317.96 is because DOE does not recognize unrealized gains/losses on the Zero coupon bonds because they hold them until maturity.							

*Represents 'accounting error' and 'current year timing' differences only.

W/P Ref	#	Description	Type of Error Known Audit Difference (KD) Most Likely Audit Difference (MLD)	Impact of audit differences on consolidated financial statement captions- Debit/(Credit)							
				Statement of Changes in Net Position Effect			Balance Sheet Effect				
				Audit Difference arising in			Net Position	Assets	Liabilities	Disposition	
Current Period	Prior Period	Total									
Current year effect of prior period uncorrected audit differences:											
BPD-RJE		Public Debt	KD					(336,502,000)	Passed	Intragovernmental	
BPD-RJE		Intragovernmental Debt <i>To reclassify the Treasury's funds from intragovernmental debt holdings to Debt Held by the Public as of 9/30/05</i>	KD					336,502,000	Passed	Account Adjustments	
Uncorrected audit differences (before tax) in the current period											
BPD-RJE		Public Debt	KD					(188,785,000)	Passed	"	
BPD-RJE		Intragovernmental Debt <i>To reclassify the Treasury's funds from intragovernmental debt holdings to Debt Held by the Public as of 9/30/06</i>	KD					188,785,000	Passed	"	
FMS-JE		Federal Debt Interest (Restitution of Foregone Interest - FY 2006)	KD	156,774,563		156,774,563	156,774,563			Passed	"
FMS-JE		Other Federal Costs <i>To record forgone interest during the fiscal year 2006 debt issuance suspension period that, as required by statute, was restored by Treasury through the restitution of foregone interest appropriation</i>	KD	(156,774,563)		(156,774,563)	(156,774,563)			Passed	"
				0	-	0	0	-	-		
				0	-	0	0	-	-		
		Financial statement amounts (as per final financial statements)		n/a	n/a	n/a	n/a	n/a	n/a		
		Uncorrected audit differences as a percentage of financial statement amounts		n/a	n/a	n/a	n/a	n/a	n/a		

Communication of Uncorrected Audit Differences

Discussed with: Jim Lungebach, Director AIC

Date: 11/14/06 & 11/22/06

Discussed by: Jola Jefferson

I have reviewed the above audit differences and concur that they are not material individually or collectively to the Department of Treasury's consolidated financial statements.

Signature: [Signature] Date: 11/14/06 & 11/22/06
 Signature: [Signature] Date: 11/14/06 & 11/22/06